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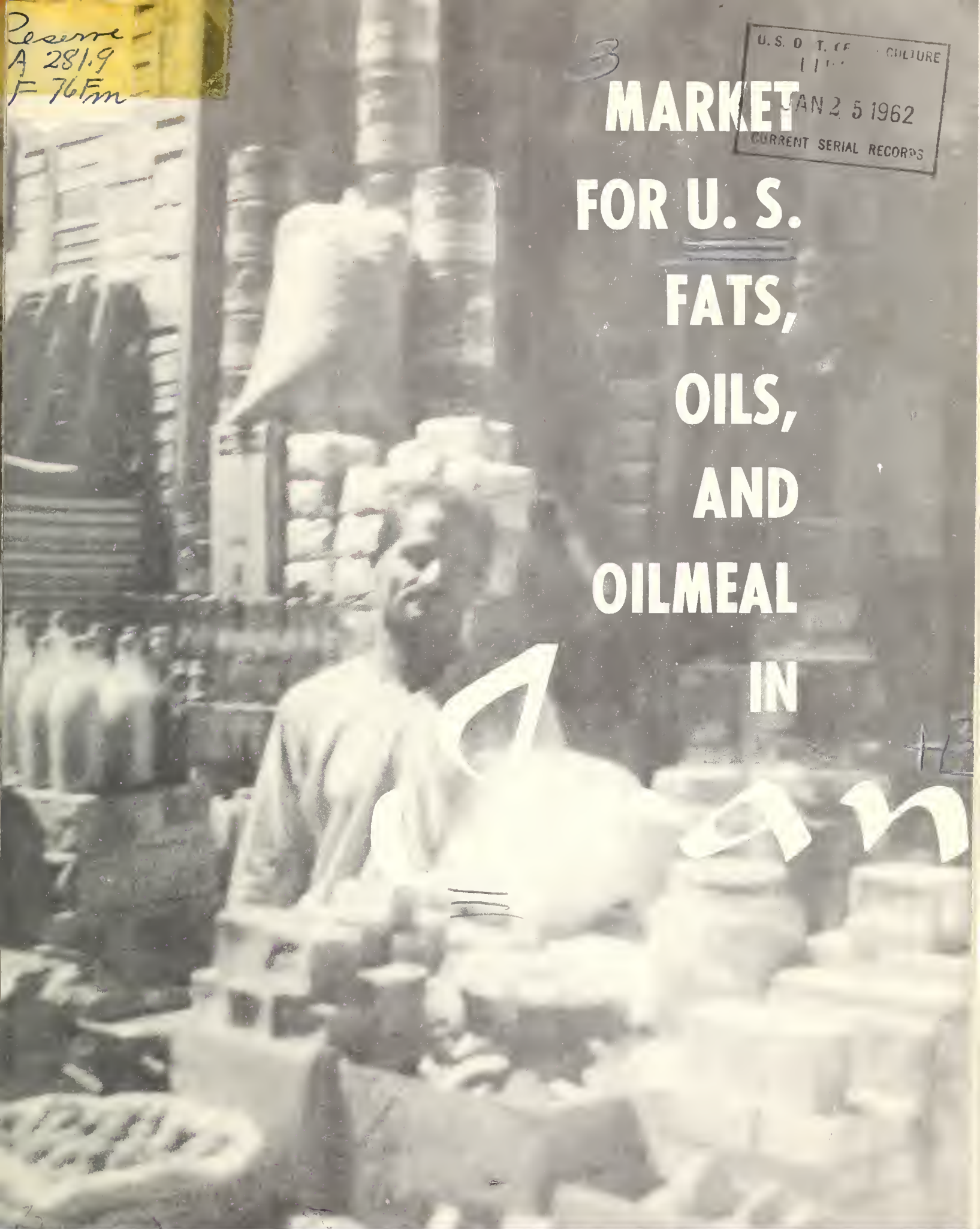
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MARKET FOR U. S. FATS, OILS, AND OILMEAL IN





FOREWORD

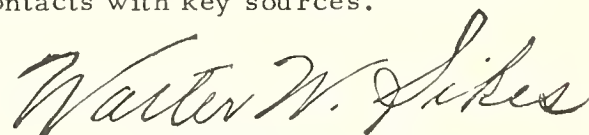
In the late 1950's, many nations formerly dependent on the United States for a large share of sorely needed direct assistance and economic aid made near-phenomenal strides in both business and agriculture. Japan and industrial countries of Western Europe are good examples of these nations which have moved from "aid" to "trade" status. Yet, economic progress in these countries came about with little fanfare and scant notice. With economic improvement, these countries became, and continue to be, good-to-excellent dollar markets for U.S.-produced agricultural commodities, both raw and processed. Soybeans and soybean products shared in, and are a prominent part of, this prosperity.

Concurrently, the soybean industry of the United States established a promotional organization called the Soybean Council of America, Inc. This organization has been pressing hard on a world-wide basis for increased use of soybeans and the oil and protein fractions of the processed soybean. It does not seek to displace any oilseed or oil-source material normal to the countries where it is promoting markets for U. S. soybeans and soybean products. Rather, it is seeking increased consumption of all fats, oils, and proteins. The result of such a campaign has been to materially step up exports of U. S. soybeans and soybean products to accustomed user-countries and to sell soybeans and oil and meal in entirely new markets.

Thus, the 1960's appear to be the time for a comprehensive, intensive review of markets in countries where opportunities appear to exist -- or seem imminent -- for new business or expanded trade between U. S. firms and their counterparts (or foreign government agencies). That is why, in late 1960, the Foreign Agricultural Service began this review, the third of which is reported here. The first, "Analysis of the Fats and Oils Market in Egypt and Syria," was issued in January 1961 as FAS-M-107; the second, on Pakistan, FAS-M-122, in August; and the third, on Japan, FAS-M-120, in October.

The primary intent of this series is to provide the U. S. vegetable oilseeds and oilseed products industry with information upon which it can make intelligent decisions as to possibilities, and degree of participation or activity, in a given market.

In the present review, and the others to come, basic market data concerning all aspects of oilseeds and oilseed products were obtained by personal contacts with key sources.



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ACKNOWLEDGMENT

The authors are particularly indebted to the continuing efforts of Bahman Sepahur, Soybean Council Director for Iran, without whose assistance the timely completion of this study would not have been possible. Important contributions were made by representatives of the Iranian trade and industry, the U. S. Departments of State and Commerce, and staff members of the Office of the U. S. Agricultural Attache, Tehran, Iran.

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X MARKET FOR U. S. FATS, OILS,

AND OILMEAL IN IRAN X

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by

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SUMMARY

Iran is an expanding market for U. S. vegetable oil and tallow and is an important potential market for high-protein oilmeal or cake. In 1960 the United States exported for dollars nearly 10,000 tons of inedible tallow and over 6,000 tons of semirefined cottonseed oil to Iran. In early 1961, Iran imported over 4,000 metric tons of U. S. cottonseed and soybean oil under Title I, Public Law 480. Dollar sales of U. S. vegetable oils and tallow to private enterprises continue strong.

Iran is undergoing a period of adjustment which has resulted in some consumer hesitancy about spending and has induced unusual credit expansion. This is expected to be temporary and to be followed by a renewed economic improvement and a further expansion in the market for U. S. agricultural exports.

Iranian vegetable oil processors share optimism for the future and plan to increase their refining capacity from its current operational level of about 40,000 tons to 85,000 tons by 1963. Much of the needed equipment has already been ordered, much of it from U. S. manufacturers and plant expansion is well underway. Completion of these expansion plans is likely to increase the industry's vegetable oil import requirements from a 1960-61 level of about 20,000 metric tons to a 1964-65 level of 40,000 metric tons. The United States is expected to supply a major portion of vegetable oil imports required by Iran.

Iran's soap industry, whose current production is estimated at about 50,000 metric tons, consumes 10,000 to 15,000 tons of U. S. tallow annually. The industry is projecting a rate of soap production of between 75,000 and 90,000 tons by 1965, and an annual import deficit for tallow of about 25,000 to 30,000 tons. The United States is the primary source of soap fats for Iran.

Iran has been a minor exporter of oilcake and meal. In mid-1960, cottonseed cake exports were prohibited. The Government of Iran is interested in improving the country's livestock economy. Basic actions in this regard will greatly facilitate the marketing of U. S. high-protein soymeal, particularly for use in the poultry industry. It is estimated that currently up to 15,000 tons of soybean meal per year could be economically used on farms in the accessible Tehran area. As the Iranian market for high-quality graded livestock and poultry products develops and new breeding stock replaces less productive breeds, the high-protein oilmeal import market in Iran could consume about 50,000 metric tons annually.

THE MARKET AND THE MARKET PLACE

General

The Kingdom of Iran, which occupies an area of 628,000 miles (larger than the State of Alaska) is located on the Iranian Plateau, bounded on the north by the Soviet Union and the Caspian Sea, on the south and west by Iraq and the Persian Gulf, and on the east by Pakistan and Afghanistan. Most of its 21 million inhabitants are engaged in agriculture but 20 - 25 percent of the people live in cities. Tehran, the capital, is a major marketing area with a population of approximately 2 million. Other cities significant as marketing centers include Tebriz, Isfahan, Shiraz, and the heavily industrialized area of Abadan Khorramshahr.

The diet of the predominantly Moslem Iranians consists mainly of wheat and other cereals. Per capita caloric intake has been estimated at only slightly over 2,000 calories per day, and is below that of any other country in Western Asia or Africa. Edible fats and oils contribute 10 to 11 pounds daily, about 5 percent of the average caloric intake. Animal fats, primarily ghee, but also butter and slaughter fats, contribute about 70 percent of this total.

The Food and Agriculture Organization of the United Nations recommended a minimum of 2,400 calories per day for countries in Western Asia, including Iran. To reach this minimum objective will require a 20-percent increase in total caloric intake. A per capita increase in edible fat consumption of at least 33 percent would be required to meet the recommendation for a better-balanced diet to include a larger proportion of high calorie foods, such as fats and oils. About 30,000 tons of additional edible fats would be required to meet the objectives of the FAO recommendation.

Iran's income is concentrated in the urban areas. The major market for U. S. agricultural commodities is now in these areas.¹ Vegetable oils and tallow are particularly good products for these markets because they lend themselves to production of a wide variety of fully-processed products.

Domestic animal fat production and consumption are both largely restricted to rural areas. Increase in animal fat production is expected to equal the needs of the increasing population in these areas. Increased supplies for urban areas needs will require larger imports.

The urban consumers of Iran are quality-conscious, alert, aggressive buyers. A high percentage of the edible fats consumed are as fully processed shortening or margarine. Direct consumption of liquid oils is limited. Margarine is commonly sold in 1-pound packets. Quality and packaging are comparable to U. S. standards. Shortening is marketed in tins of 1, 2, 4, 8, 10, and 25 pounds, generally with lithographed labels. Liquid oils are usually marketed in 1-liter containers. Retail outlets in Iran range from small stores in the bazaar to highly efficient supermarkets with a wide range of such imported products as tinned olive oils from Italy and detergents from the United States.

Sources of Supply

Oilseeds.--Domestic oilseed production in 1960 is estimated at nearly 200,000 metric tons, 10,000 tons above the amount estimated for 1961. Cottonseed production, which accounts for about 80 percent of the total supply, has been increasing modestly in recent years. Other oilseeds, particularly sesame and flaxseed, have shown no significant change in recent years, but are scheduled to increase sharply by 1967, the end of the next 5-year plan.

Iran does not import oil-bearing materials and exports only small quantities of flax and castor seed, primarily to the Soviet Union.

Cottonseed production is centered in the Caspian Sea area, where varieties with a high moisture and lower oil content, e.g. lightening and cookers, are grown. In south-central Iran, a drier cottonseed known as Wilt "100" is common. Flaxseed is grown in Khuzistan and Fars in the south and Ardebil and Azerbaijón in the north. The major olive region includes the Rudbar area, where frost damage in 1960 was extensive. Castor-seed is grown in Kermanshah Sanadaj in western Iran and in Khorason. Soybeans and sunflowers are grown experimentally.

It is the considered opinion of representatives of the Iranian industry and trade that domestic oilseed, primarily cottonseed, will supply a gradually declining portion of the total requirements of the country. It is this anticipated widening gap between consumption and domestic availability that affords an important potential for larger U. S. exports of edible vegetable oils to Iran.

Vegetable Oils.--Domestic production of vegetable oils has failed to increase in recent years. The level of production was 30,000 metric tons in 1957; 24,000 in 1958, 27,000 in 1959, and 27,600 in 1960.

Cottonseed oil is the most important vegetable oil produced in Iran, accounting for about 75 percent of total vegetable oil production. Linseed, sesame, castor, and olive oil are of lesser importance in production patterns.

¹ Jordan, with a per capita income somewhat below that of Iran, consumes 50 percent more fat. West Pakistan, with half the average per capita income of Iran, also consumes about 50 percent more fat per capita.

TABLE 1.—Production of principal vegetable oilseeds

	1958	1959	1960
	<u>1,000 metric tons</u>	<u>1,000 metric tons</u>	<u>1,000 metric tons</u>
Cottonseed	140	145	160
Sesame	10	12	11
Flaxseed	12	14	12
Olive ¹	9	13	13
Miscellaneous ²	<u>3/</u>	<u>3/</u>	<u>3/</u>
Total	171	183	196

From official sources.

¹Estimated.

²Primarily castor, mustard, sunflower, and peanut.

³Not available.

Imports of edible vegetable oil are important in the total supply. Imports of vegetable oil were 6,100 metric tons in 1954, 9,500 in 1955, 10,200 in 1956, 13,100 in 1957, 7,700 in 1958 and in 1959, and 20,000 in 1960.

The Netherlands is the second most important source of vegetable oils for Iran. In 1960, the Netherlands supplied over 8,000 metric tons of edible vegetable oil and shortening to Iran. U. S. exports were primarily semirefined cottonseed oil.²

Animal fats.--Data on livestock numbers and slaughter fat production are generally incomplete. Production of slaughter fats in 1960-61 is estimated to have totaled 22,600 tons, slightly below the 23,500 produced in 1959-60. Production of slaughter fats in 1954 was 20,500 metric tons; 1955, 21,000, 1956, 22,500; 1957, 22,750; and 1958, 23,100.

The primary source of slaughter fats is the fat-tailed sheep. Other important categories of livestock include goats and cattle. Inventories of all major types of livestock declined slightly in 1960.

Animal ghee³ and butter production are about 60,000 tons a year, and expected to increase modestly. Iranian import data for animal fats are incomplete. U. S. exports of inedible tallow to Iran averaged nearly 2,000 tons annually from 1954 to 1958, reached 12,358 tons in 1959, but declined to 9,804 tons in 1960.

Oilmeal and Cake.--Iran produces an estimated 125,000 to 150,000 tons of oilmeal and cake, primarily from cottonseed. Prior to mid-1960, small quantities of cottonseed cake were exported, mostly to Western Europe. In mid-1960, to help meet the country's growing protein meal deficit, exports of cottonseed cake and meal were prohibited.

The Vegetable Oil, Soap, and Mixed Feed Industries

Vegetable oil.--In mid-1961 Iran's vegetable oil industry consisted of 8 operational plants producing shortening (vegetable ghee), margarine and/or liquid oil. In addition, installed equipment, fully capable of producing these products, existed at two other plants (Babel and Jagin) and one plant (Sari) contained an inventory of refining and hardening equipment which had not been installed. Tehran, with five operational plants, is the heart of the vegetable oil processing industry of Iran.

A vegetable oil syndicate with headquarters in Tehran has been organized to coordinate the activities of the industry. The syndicate currently includes five plants in the Tehran area, Pars, Shahpasand, Margarine Co., Tehran Industrial Co., and the government-owned solvent

²Dutch exports of edible vegetable oils to Iran by year: 1956, 3,900 metric tons; 1957, 5,900; 1958, 5,800; 1959, 6,800.

³Animal ghee is produced when butterfat is boiled. Its production is a cottage industry.

extraction plant at Varamin.⁴ Operating independently of the syndicate are plants at Isfahan, Shiraz, and Tehran (Bozneshan). All syndicate plants have access to the Tehran market and are important in government planning for vegetable oil imports. Two of these plants have contracts with the Iranian Government to process U. S. vegetable oil imported under Public Law 480.

Vegetable oil processed for human consumption is channeled through the country's eight operational plants. Domestic supplies of oilbearing materials, primarily cottonseed, flaxseed, and sesame, average about 150,000 metric tons annually. Cottonseed, about 90 percent of the total, originates in the Caspian area and in the southern portion of Iran. In addition to the country's 8 refining plants, at least 60 small rural mills produce crude cottonseed and other vegetable oils from antiquated equipment, some of which is of Soviet origin.



This oil factory, at Isfahan, is the newest installation in Iran.

TABLE 2.—Capacity of vegetable oil industry processing plants, present (1961) and planned (1962-63)

Plant No.	Location	Estimated daily capacity ¹			
		1960	1961	Planned	
		Ministry of Industries and Mines	Industry survey	Ministry of Industries and Mines	Industry survey
		<u>Metric tons</u>	<u>Metric tons</u>	<u>Metric tons</u>	<u>Metric tons</u>
1.	Tehran	30	30	40	60
2.	Tehran	15	21	25	40
3.	Tehran	12	15	12	15
4.	Tehran	16	17	25	40
5.	Tehran	7	12	12	20
6.	Isfahan	6	10	6	20
7.	Shiraz	4	9	4	20
8.	Varamin	2/	22	2/	22
9. (Not Operational)	Babel	12	(12 ³)	12	(12 ³)
10. (Not Operational)	Sari	6	(6 ³)	6	(6 ³)
11. (Not Operational)	Jagin	5	(5 ³)	5	(5 ³)
Total for country		113	158	147	260
Annual capacity ⁴		37,000	52,000	49,000	86,000

¹Based on refining capacity, 24-hour day.

²Not reported.

³Not surveyed.

⁴Based on refining capacity, 330-day year.

⁴Additional information on plants will be supplied on written request.

Cottonseed is generally sacked and then trucked to the mills and stored in covered sheds. Storage capacity per shed varies between 3,000 and 10,000 tons. In the Caspian area there is one Muskogee-type seedhouse of 10,000-ton capacity and another, of 15,000-ton capacity, is under construction. Only one plant (Varamin) reports that cottonseed is generally dried before storage. Equipment for drying exists at only one other location (Nargess). The cottonseed processed in these mills is generally decorticated and two cuts of liners are taken. French screw presses (expellers) are very popular in Iran. Murray gins were also noted.

The government-owned solvent plant at Varamin is the only one of its type in Iran. This plant operates on Speichin⁵ equipment, antiquated and of French manufacture (not to be confused with the U. S. French Equipment Co.). This is a batch prepress solvent process utilizing benzene. The plant is also equipped with expellers which single press various oilseeds including sesame, sunflower, castor, almonds, and peanuts. The Varamin plant produces the country's widest variety of liquid oils.

Batch neutralizing is common to six of the eight operating plants and probably represents the type of equipment at the three idle units in Babel, Sari, and Jagin. Caustic soda is the only reagent. Bleaching is under vacuum, reportedly at 235°F and 15,000 pounds per square inch pressure. Only one plant has operational winterizing equipment and two more are installing it. Rose-Downes (British) and DeLaval (Swedish) continuous refining equipment are popular in Iran. One plant has ordered the installation of Sharpless Low Loss refining equipment.

Hydrogen is supplied by electrolytic generators, generally in blocks of 22 to 44 cells. In one plant a generator (16 cylinders) produces up to 51,000 cubic feet daily. In another, a 44-cell steam iron generator produces about 40,000 cubic feet of hydrogen daily. An output in three daily batches is common, although four-batch outputs have been reported. Nickel is the most frequently used catalyst; nickel formate is used by three plants. The hydrogenated oil is used in shortening, margarine, and granular ghee.

Deodorizing is of the batch type in six plants and continuous in two others with two and three batches most common, although up to six batches have been reported. The maximum temperature in the deodorizers varies between 390°F and 500°F, but only two exceed 450°F. The maximum absolute pressure (in millimeters of mercury) varies only slightly from a minimum of five to a maximum of eight. Two plants report that up to 18 mm. pressure can be used. The vacuum equipment includes one-, two-, and three-stage ejectors with thermo-compressors. The steam pump unit uses a single-stage ejector. The combined annual deodorizing capacity is estimated at about 45,000 tons under optimum conditions, including 330 operational days per year. Commonly used types of equipment include Speichin (French), H.E.B. (German), Girdler (U. S.), Rose-Downes (U. K.), Olier (French), and Buss (Swiss).

It is difficult to estimate the industry's capacity to process vegetable-oil-bearing materials. Crushing data on the eight operating refining plants indicate a 1961 rated capacity range of 150,000 to 175,000 metric tons. This is to be expanded to about 200,000 tons. Thus, the capacity of the eight larger plants equals the total domestic supply of oil-bearing materials. Combined capacity of the numerous smaller mills probably ranges between 100,000 and 200,000 tons. Since the large mills are more efficient, operating at lower unit costs, the older, small rural mills are gradually being forced to operate only a few months a year or to shut down completely due to raw material shortages. Modern expeller capacity, including screw presses in the larger refineries, is expanding at a more rapid rate than is the output of domestic cottonseed.

The refining capacity of the country's eight operating vegetable oil plants is estimated at about 40,000 to 45,000 tons annually and is being expanded to 85,000 to 90,000 tons annually. Somewhat over 5,000 tons is represented by the three non-operational plants at Babel, Sari, and Jagin. A survey by the Ministry of Industry and Mines prepared earlier in the year reports a total capacity of about 37,000 tons, excluding the government-owned plant at Varamin, whose capacity is estimated at about 7,000 tons.

The official third 5-year plan anticipates a nearly 50-percent increase in the production of cottonseed during 1962-67. The industry, however, expects little actual increase in production. The industry is adding to refining capacity at a more rapid rate than ginning or screw pressing (expeller) capacity. This is in expectation of substantially increased imports of semirefined vegetable oils.

⁵The listing of trade names of manufacturers of oil refining equipment does not constitute endorsement by the U.S. Department of Agriculture.

It is expected that the austerity period of 1961 will be replaced by growing consumer optimism in 1962-63 and that the rate of utilization of capacity will rise to an estimated 80 percent of the increased capacity, or to about 70,000 tons annually. Further, if domestic vegetable oil production increases to a maximum of 40,000 tons, including 35,000 tons of edible oils, requirements for edible vegetable oil imports will approximate 40,000 annually by 1964-65.⁶ The Ministry of Agriculture's import projection, which is based on substantially higher domestic production of oilseeds, anticipates imports at the level of 30,000 tons of edible oils by 1964-65.

Soap.--A substantial portion of the country's vegetable oil processing plants are important producers of soap. Characteristically, however, these producers utilize cottonseed oil foots (refinery sediment), estimated at 2,000 to 3,000 tons annually, to produce an estimated 5,000 tons of low-grade, unwrapped household soaps. Little if any soap stocks, tallow, or coconut oil is imported by these firms.

The principal consumers of inedible tallow and grease are chemical plants, including soap manufactures. Soap production in Iran is increasing more rapidly than domestic availability of soap stocks, and more rapidly than population. Estimated soap production of Iran for recent years was 1958, 40,000 metric tons; 1959, 45,000; and 1960, 50,000. Production for 1965 is projected between 75,000 and 90,000 metric tons.⁷

Imports supply a significant portion of the soap stock requirements of Iran. On the conservative basis of an average of 40 percent total fatty materials, about 20,000 tons of soap fats would be required to meet the current fat requirements of the domestic soap industry. Domestic production of slaughter fats available to the commercial soap industry from slaughter houses probably averages about 1,000 tons a year. When this amount is added to the estimated 2,000 to 3,000 tons of domestic cottonseed oil foots there remain a deficit of about 15,000 tons annually, which must be imported.

The United States is the major supplier (over 80 percent of the total) of soap fats, primarily inedible tallow, for Iran. In 1959 and 1960, U. S. exports of inedible tallow to Iran averaged more than 10,000 metric tons. Lesser quantities of tallow and acid oils were supplied by West Germany and the Netherlands. The United States also supplied a substantial portion of the acid oil imports.

Some Iranian merchants estimate that by 1965 domestic soap production may total 75,000 to 90,000 metric tons. Since production of domestic tallow and grease for use of soap manufacturers is not expected to increase materially over this period, import requirements of tallow and grease may reach 25,000 to 30,000 tons by 1965.

Mixed feed.--The vast majority of Iran's poultry inventory is maintained under farm conditions, feeding on such materials as they may scavenge, and occasionally being fed small quantities of mixed feed. Only a relatively small portion of the poultry producers of Iran operate on a commercial basis and offer an immediate market for mixed feeds.

The country's only commercial mixed feed plant is located in Tehran. It uses highly satisfactory U. S. equipment to blend about 21 local ingredients. Present facilities are adequate for the commercial production and distribution of up to 40,000 metric tons. The current production level is less than 10,000 tons annually. While some low-quality oilcake is utilized in mixed feed, there is a general shortage of suitable high-protein oilcake or meal. The poultry population of Tehran Province, within economical transport range of this plant, could readily consume up to 50,000 tons of mixed feed if improved husbandry practices were adopted. This would require 20,000 tons or more of oilmeal, 5,000 tons of which could be of domestic types, 15,000 tons could be high-quality U. S. soybean meal. This demand for soy protein could exceed 50,000 metric tons by 1967 if planned goals are achieved.

The government maintains generally well-managed poultry farms at numerous locations such as those at Hyderabad and Shiraz. There are flocks of up to 5,000 Rhode Island Reds and White Leghorns. Mixed feeds fed to the flocks are made up locally from grains and bran locally available. Up to 5 pounds of feed is frequently needed per pound of meat although about 4 pounds is probably average. It is estimated that egg production does not average over 50 to 75 units per layer annually. Vegetable protein is derived almost exclusively from lower feed grains.

⁶The refining loss (foot) from domestic crude and imported semirefined oil will approximate 5,000 tons. This will be used in soap manufacture.

⁷Data on slaughter fat and soap production and imports and utilization of tallow and grease are estimated.

The Government of Iran is concerned about the generally inadequate supplies of vegetable and animal protein for livestock feeds, and the extremely slow rate of growth in the poultry economy. The 2-percent growth rate in livestock products, 1950-1959, was less than the annual average increase in population. A target has been set which would require a substantial increase in the 1962-1967 output of poultry meat and eggs.

Item	Production			Goal
	1958	1959	1960	1967
	<u>1,000 metric tons</u>	<u>1,000 metric tons</u>	<u>1,000 metric tons</u>	<u>1,000 metric tons</u>
Poultry meat	14	15	16	30
Eggs	44	44	45	55

These challenging goals will require systematic improvement in breeding stock, management, and the supply and utilization of mixed feeds. The United States can become an important source of each of these and may, in the short run, become a poultry-meat supplier for Iran.

One major incentive for better poultry feeding would be marketing by quality and grades. This would assist in providing economic incentives for better poultry management, including improved feeds and feeding practices.

In Iran, other livestock are limited. Sheep and goats are maintained primarily by nomadic tribes and hog numbers are insignificant. Only cattle provide some prospects and that only if fluid milk production near urban areas is increased as planned. The requirement for oilseed meal in mixed feeds for all categories of livestock other than poultry appears small.

Prices and Price Patterns

Wholesale prices in Iran for cottonseed and sesame increased sharply in early 1960 over their 1959 level and declined again in early 1961. Although the 1960 rise in cottonseed prices was at a time of increased domestic availability, higher prices reflected the continuing inflationary pressures. In mid-1960, the government, in an effort to conserve the domestic supply of oilseeds for vegetable oil and feed production, prohibited the export of cottonseed, cake, and meal. The 1961 decline in the price of cottonseed and its byproducts reflects, in part, the success of the government's program of prohibiting exports.

TABLE 3.—Average wholesale prices of selected oilseeds in Tehran market, March 1959, 1960, and 1961

Item	1959	1960	1961
	<u>Cents per U. S. pound</u>	<u>Cents per U. S. pound</u>	<u>Cents per U. S. pound</u>
Cottonseed	3.6	4.8	4.2
Sesame	9.1	12.7	10.0
Castor	6.7	7.0	7.4
Linseed	8.5	7.0	7.0

Official sources.



Poultry, now fed mostly scraps, are a potential oilseed market.

Vegetable oil prices in Iran are high relative to those in the United States but appear about average for that part of the Near East. As in the case of oilseeds, prices of edible oils increased in early 1960 but began to decline in late 1960 which continued into 1961. Imported oils, particularly olive, cottonseed, and hydrogenated oils, continue to command a premium over domestic oils. The local hydrogenated oil retails as shortening for about 35 cents a pound. Imported hydrogenated oils, particularly shortening from the Netherlands, have successfully competed with domestic shortening, even after absorbing the high import duties.

TABLE 4.—Average wholesale prices of selected vegetable oils on Tehran market, March 1959, 1960, and 1961

Type of Oil	1959	1960	1961
	Cents per U. S. pound	Cents per U. S. pound	Cents per U. S. pound
Local hydrogenated oil ¹	31	33	33
Cottonseed oil	21	27	24
Local olive oil	54	61	48
Imported olive oil	79	82	2/
Sesame seed oil	29	33	25
Linseed oil	24	30	23
Castor oil	27	36	22

Official sources.

¹Imported hydrogenated oil averaged 37 cents per pound and originated chiefly in the Netherlands and the United States.

²Not available.

TABLE 5.—Prices paid to farmers for butter and animal ghee

Market	1957-58 ¹	1958-59 ¹	1959-60 ¹	1960-61 ¹
	Cents per U. S. pound	Cents per U. S. pound	Cents per U. S. pound	Cents per U. S. pound
Teheran:				
Animal ghee	70	² 55	85	94
Butter	65	50	70	89
Kermanshah:				
Animal ghee	70	57	85	94
Butter	58	47	65	79

Official sources.

¹Iranian year, March 21 through March 20.

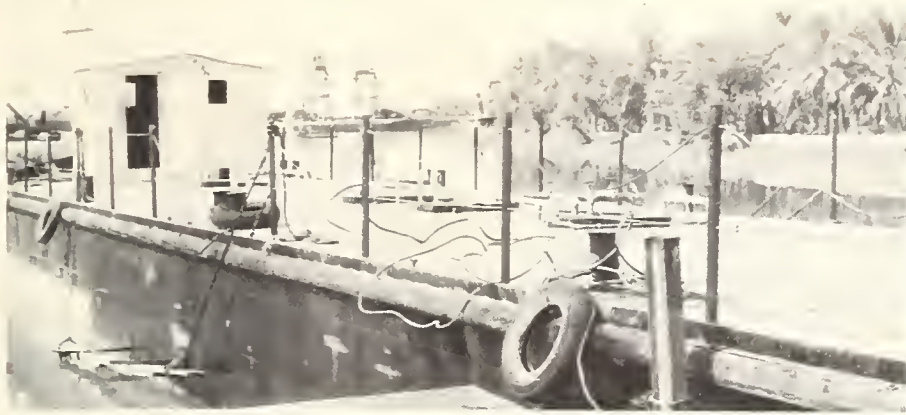
²Estimated.

In Iran, as in most countries of the Near East, edible animal fats command a significant premium over vegetable oils, liquid or hardened. Animal ghee and butter prices in two of the country's major markets have continued upwards after a temporary halt in 1959. There is some indication that by mid-1961, this price rise may be retarded or arrested completely. Animal ghee continues to sell at a premium over butter in all domestic markets, but particularly in the mountainous Kermanshah area, where ghee enjoys a well-sustained consumer preference. Some animal ghee is mixed with the far-less-expensive vegetable ghee to produce a blended product.

Transportation and Handling Facilities

Iran has access to ocean transportation through ports located on the Persian Gulf. Khorramshahr, located near the delta of the Tigris and Euphrates Rivers, and Bushire are the leading discharge ports for oil from the United States.

Khorramshahr, serving the heart of the industrial Abadan area, is connected by rail with Teheran, the country's leading marketing area. The port contains limited port handling facilities, and the rail line, on the basis of current experience, is open only to oil imported under government programming. Two of the country's largest vegetable oil processors maintain bulk facilities in the port area and provide complete servicing from independently-owned facilities. One



A 250-ton oil tank barge
in Khorramshahr harbor.
In background is port's
only permanent shore cranes.

vegetable oil tank of 1,000-ton capacity and another of 150 tons, now being expanded to 250 tons, are serviced by tank trucks which carry the imported oil to the factories at Teheran.

The 8.4 million pounds of cottonseed oil and 1.8 million pounds of soybean oil imported under PA-32-09, P.L. 480 arrived in standard 55-gallon (U.S.) drums, consigned to the Government of Iran. The oil was unloaded by ship's cranes, four drums per operation, and placed on government flat cars or in an open storage area before reloading to railway cars. The drums, all appearing to be new, arrived in generally good condition. Some damage was done to drums by improper handling in the port area. This shipment received expeditious handling. Used drums of cottonseed oil privately imported from Syria were poorly stacked awaiting shipment to Teheran.

Khorramshahr has limited capacity for handling vegetable oil in drums. Ships reportedly are required to wait extended periods of time because of limited berthing facilities. Only two permanent cranes are available for movement of cargoes, limiting the discharge to the capacity of the ship's facilities. Open storage area is limited, resulting in drums being improperly stacked, with stress on seams and heads. The bulk facilities, privately owned, include two 250-ton oil barges which can load and discharge in about 4 hours. The 500-ton capacity of these barges increases total tank storage capacity to 1,650 tons. An additional 1,750 tons total capacity is under construction.

It is possible that the port of Bandar Shahpur, about 50 miles from Khorramshahr and important in grain shipments, could relieve some of the stress on Khorramshahr. Bandar Shahpur is located on a rail spur which connects with the Khorramshahr track at Ahwaz, linking Teheran. Bonshehr, about 400 miles southeast of Khorramshahr, has no permanent shore installations but has the advantage of easier access to vegetable oil refineries at Shiraz and Isfahan. Berthing facilities are more readily available in Bonshehr than in many other Persian Gulf ports. Since no bulk oil facilities exist in Bonshehr, only drummed oil is unloaded there. All cargoes are moved out by truck since there are no rail facilities.

GOVERNMENT ORGANIZATION AND POLICY

Government Organization

Iran is a constitutional monarchy headed by the Shah with bicameral legislature. The full complement of the Majlis (lower house) is 200, of the Senate (upper house), 60.

According to the Constitution, the Prime Minister is chosen by the Shah with the approval of both houses. Following national elections in February and March 1961, the cabinet of Prime



A 1,000-ton bulk tank is unloaded into a tank truck for the 600-mile overland haul to a Tehran factory.

These vegetable oil storage tanks at Tehran have a 150-ton capacity, can be expanded to 250.



Syrian cottonseed oil in temporary storage.



Three-ton cranes unload four drums of U. S. cottonseed oil at a time.



Careless handling in a part damages some oil drums.

Minister Sharif-Emami resigned in early May. Dr. Ali Amini was appointed Prime Minister and immediately thereafter dissolved the Parliament and has been governing by decree. He has stated publicly that he intends to hold new elections following changes in the existing elections laws and regulations.

Financial Position

Iran's trade and balance of payments deficit was, until recent years, satisfactorily financed by petroleum oil income. Estimated gold and dollar reserves declined from \$187 million on December 31, 1959, to \$152 million on December 31, 1960.

Though the foreign exchange position of Iran still appears to be adequate to finance needed imports, the government has shown particular concern over the drain on exchange reserves which has been accompanied by excessive credit expansion, a rise in the cost-of-living index of nearly 10 percent, and a rapid rise in imports. The government, in an effort to conserve the foreign exchange availability, has imposed restrictions on imports. These include considerable increases in the effective rate of import taxation, expansion of the import list of prohibited goods and the establishment of a compulsory letter of credit system with high cash deposits for most items.

The reduction in foreign exchange reserves has influenced the Government of Iran to request substantial quantities of edible vegetable oil under Title I, P.L. 480. Should it be necessary to further restrict the sale of exchange in order to pay for the importation of authorized goods through letters of credit or drafts, it is probable that dollar imports of U. S. vegetable oils will be restricted and the Government of Iran will ask for a larger Title I program.

Tariffs

The tariff schedule of Iran consists of specific duties assessed on a net or gross weight basis. Ad valorem duties are levied on the sum of the c.i.f. value and charges incurred up to arrival of goods at the first customs house. Import duties are paid by the Iranian importer in local currency.⁸

Under the provisions of the 1943 Iran-U. S. reciprocal trade agreement, as amended, imports from the United States receive preferential rates of duty.⁹

The following goods may be cleared from Iranian customs by payment of the commercial tax as indicated:

<u>Tariff No.</u>	<u>Item</u>	<u>Tax</u> (Rials per kilogram)
83 A & B	Peanut, sunflower seeds, castor oil seeds, linseed, sesame seed, cottonseed, and other oilseeds	12
101	Animal tallow for industrial uses, with the permission of the Ministry of Commerce after approval of the Ministry of Mines and Industries	125
105 A	Raw vegetable oil of linseed, sesame seed, castor seed, cottonseed, and peanuts	5
105 B	Almond oil	15
109	Fatty acids including stearin	0.5
111-112	Hydrogenated vegetable oil, margarine, and other edible fats prepared the same way	25
114	Animal wax	15

¹The weight of the container is not included when figuring the tax on these two items but is included for the other items.

⁸For duty purposes, foreign values are converted into local currency at the rate of 76.5 rials to the U. S. dollar.

⁹The same rates of duty also apply to the United Kingdom, West Germany, Italy, Sweden, Belgium, Luxembourg, the Netherlands, Canada, Austria, Denmark, Norway, Finland, the Soviet Union, and India.

<u>Tariff No.</u>	<u>Item</u>	<u>Tax</u> (Rials per kilogram)
308 C	Oil paints prepared from vegetable oil	5
320 A	Soap, paste, and shaving soap	40
320 B	Toilet soap, medical soap, and powdered soap	160
321	Laundry soap in powdered form	45

Tariff laws specifically prohibited importation of some goods:

<u>Tariff No.</u>	<u>Item</u>
13	Pork
17	Hog tallow
83 B	Poppy seeds, hemp seeds
84 D & 84 F	Other vegetable oilseeds unless authorized by the Ministry of Agriculture
100 & 112	Hog lard
101	Tallow and sheep-tail fat and ghees made thereof except tallow for industrial use.

Imports are subject to the following tax (rials per metric ton, unless otherwise stated): Chamber of Commerce tax, 1 percent ad valorem; municipal tax, 1 percent ad valorem; health tax, 5; northern port tax, 24; southern port tax, 15; export encouragement tax, 0.1 percent of the c.i.f. value; and unloading tax at Khorramshahr and Bandar Shahpour, 40. Imports are also subject to fees and charges for the following: stamps on applications and documents, seals, and tags; storage; handling, loading, and unloading; inspection; transfer of goods from one steamer or airplane to another; and transportation of goods to a warehouse.

Exchange Controls

Iranian exchange and foreign trade regulations are issued annually at the beginning of each Iranian year, i.e., March 21 (March 22 every fourth year), and are entitled "Import Quota Regulations for the year ____." Import regulations apply equally to dollar and nondollar areas, although there are some exceptions and special provisions regarding items that are traded in accordance with existing trade and payments or barter agreements.

Import licenses,¹⁰ as generally known in international trade, are not issued but some specified goods require import authorization from the ministries concerned. The issuance of an exchange sale certificate to the importer when he purchases foreign exchange represents the approval of foreign exchange transfers by authorized Iranian banks. This certificate, the shipping documents, and the special import authorization for specified goods are required for the clearance of imports through customs.

The Bank Markazi Iran, which has complete authority over foreign exchange transactions, does not exercise any exchange restrictions on imports except in cases in which approval of another government agency is required. Importers may purchase foreign exchange from the Bank Markazi or any bank authorized to deal in foreign exchange.

¹⁰The Ministry of Customs and Monopolies does issue a document called an "import license" to importers who have met all documentary requirements and whose goods have been verified. Actually, this is the final authorization for the release of goods from customs.

Under a decree ratified on May 28, 1961, the Bank Markazi was established as the central bank of Iran and took over exchange control authority which has previously been vested in the Bank Melli.

The importer purchases foreign exchange from the Bank Markazi or another authorized bank, and may transfer the payment of goods by (1) opening a letter of credit with a foreign bank, (2) making partial payment by letter of credit and paying the remainder by sight or time draft, or (3) arranging for sight or time draft in the full amount.

He may effect clearance of his goods upon presentation to customs of either (1) an exchange sale certificate from an authorized bank verifying that the transfer of foreign exchange has been authorized, or evidence that he has accepted a time draft, or both; (2) a bill of lading; (3) an exporter's or manufacturer's invoice authenticated by the chamber of commerce of the country of origin and by an Iranian consulate; and (4) a certificate of origin.

If an importer fails to honor accepted drafts, local banks have no obligation or responsibility to foreign sellers except to advise them in due time of the circumstances.

Foreign Capital Investment

Except as noted below, transfers of capital abroad require the approval of the Bank Markazi. This is given only under exceptional circumstances.

In accordance with the 1955 law concerning the encouragement and protection of foreign capital investment in Iran and the regulations implementing it, foreign capital invested in approved development or productive activities in industry, mining, agriculture, or transport may be repatriated, together with the net profits (in accordance with the provisions contained in the implementing regulations), in the form of foreign exchange and/or goods. Transfers of exchange must be made in the original currency and at the commercial selling rate prevailing at the date of transfer.

Capital imported in the form of foreign exchange must be in a currency acceptable to the Bank Markazi. Exchange is converted into rials at the commercial buying rate prevailing at the date of application for conversion. The Bank Markazi has the option to buy the exchange, or to accept it as a deposit to be converted into rials, at a rate mutually agreed upon in a separate agreement. In the latter case, the rate applicable to repatriation is the mutually agreed rate. The law guarantees legal protection for foreign capital invested in accordance with its provisions and for the profits thereof, and provides for a committee to make recommendations on proposed investments to the Council of Ministers.

Imports and Import Payments

The Government of Iran is currently reviewing a procedure to permit privately owned vegetable oil firms to handle vegetable oil imported under P.L. 480. To date, all P.L. 480 imports of vegetable oil have been handled by agencies of the Government of Iran, particularly the Ministry of War. The ministry has negotiated with two of the country's largest vegetable oil processors for the conversion of this oil into shortening. The shortening is then repurchased and resold to members of the armed services and their families through government-controlled stores. The advantage of this procedure is its automatic exemption from import duties. Disadvantages include the limitation on how much the Government of Iran can market through its own channels, and the fact that this procedure favors certain processors in the Tehran area, and is not open to competitive bidding.

Imports sufficient to supply expanding requirements without reducing dollar imports are not likely under this procedure. Careful consideration will need to be given such things as the refining or deodorizing capacity of the industry, the seasonal peaks in domestic requirements, and the alternative financing arrangements available to importers and processors. To permit maximum benefit to the final consumer, all P.L. 480 imports of vegetable oil should continue to be exempt from import duty and commercial taxes.¹¹

Exchange for imports is allocated freely, except for goods included in a list of prohibited imports. For the Iranian year 1339 (March 21, 1960, to March 20, 1961), the Bank Markazi was

¹¹Copies of the Government of Iran import procedure, when announced, will be provided upon request.

obliged to open letters of credit and to settle promissory notes for such imports on the basis of actual imports in the previous year. The regulations provide that, should the country's foreign exchange reserves be insufficient for all authorized goods, priorities in payment may be established. If the "quota" established is exhausted and foreign exchange is available, additional exchange will be provided by the Bank Markazi with the agreement of the Ministry of Commerce.

Specified commodities are imported under state monopoly. Special permits to import these commodities may be issued to private traders or institutions. Imports from East Germany are also under state monopoly. Certain goods may be imported only with the consent of appropriate Iranian ministries.

Import licenses are required to clear goods through customs. They are issued automatically by the customs authorities on receipt of documents showing that payment has been or will be made through an authorized bank. The customs authorities check whether the import is permitted and customs clearance of a list of items is subject to payment of specified commercial profit taxes.

Authorized banks may make payments against shipping documents for imports that are not prohibited. Charges of 0.5 percent for sanitary services and 0.1 percent under the law on encouragement of exports are levied on the invoiced amount of all imports. Persons holding "own exchange" are permitted to use that exchange for imports, provided they pay the above charges and 1.50 rials per U. S. dollar of the import value to an authorized bank.

MARKET OUTLOOK AND CONCLUSIONS

The dollar market for U. S. fats and oils in Iran can be expanded materially. Important in any expansion will be continuing efforts of U. S. interests to understand and meet the needs of Iranian consumers.

Iran's population is now 21 million and expanding at about 2.5 percent annually. The country's vast oil revenues, which annually total near \$300 million, provide a solid basis for dollar business. The market for U. S. edible vegetable oils, primarily cottonseed; inedible tallow; and high-protein soybean meal in Iran can be expanded. Imports could be increased by:

1. Development of an import procedure that would broaden the market for vegetable fats and oils. This could be purchases under Public Law 480 and would include a system of financing that could compete with presently available ones without raising consumer prices. It would also include a distribution scheme enabling all interested importers to get vegetable oil regardless of their location.
2. Vigorous efforts to introduce the marketing of livestock produce on a basis of quality standardization, including grading of eggs, meat, and other products.
3. Exchange of technical information on improved handling of drummed U. S. vegetable oil in Iran, particularly in port areas.
4. Technical assistance in utilization of U. S. soybean oil in Iranian shortening, margarine, and similar products.
5. Distribution of literature pointing out the advantages of improved livestock feeding practices.
6. A program of consumer preference studies to guide production and marketing of livestock and vegetable oil products.

APPENDIX

Key Names and Addresses

Arien Trading Co.
Seraye Hafez, Tehran
Ali Akbar Lajavardian (Partner)
Ahmad Lajervardy

Behshahr Industrial Co., Ltd.
Behshahr, Iran
I. A. Mostafavi

Bozneshan Margarine Factory
Tehran, Iran
Mr. M. Bagherpour, Manager

Margarine Company
Tehran, Iran

Nargess
Shiraz, Iran
Dr. Kermanshahi, Manager
Dr. Jorre, Chief Chemist

Naz Vegetable Oil Factory
Isfahan, Iran
Mr. Moin Amin, Manager and Owner
Mr. Erik, Technical Director
Mrs. Erik, Chemist

Pars Cotton Ginning and Oil Mill Corp.
Farahabad Ave. Janbe Chitazi
Mr. Ghassemieh, Partner
Mr. Amir Saleh, Managing Director

Tehran Industrial Factories, Co., Inc.
Rey Ave., Kebritsazi Street
Office: Ekbatan St., No. 100, Tehran
Mr. Elghanaian - Owner
Mr. Shahrokhshahi - Chief Chemist

Varamine Oil Extracting Factory
Varamine (30 miles S.E. Tehran)
M. Mohamadi, Manager and Technical Director

Soybean Council of America, Inc.
407-9 Marsh Place Building
Waterloo, Iowa
Howard Roach, President

Soybean Council of America, Inc.
Via Parigi 11,
Rome, Italy
Dr. Fred Marti, Director, International Operations

Soybean Council of America, Inc.
Taghinia Building
Saadi Avenue, Teheran, Iran
Mr. Bahman Sepahpur,
Director for Iran

Vegetable Oil Factories

<u>Name and Address</u>	<u>Types of Oil Produced</u>
Ahmadi Factory Ghaffari Avenue Opposite Ambare Kela Office: Bouzarhomehri Avenue Chitsaz	cottonseed oil, soap
Arbarpour Ambare Kala, Avenue Abbasy Office: Bouzarjomehri Saraye Mohamadi	cottonseed oil, soap
Akhavein Factory Ghaffari Avenue Opp. Ambar Kala Office: Bouzarhomehri Saraye Shams	cottonseed oil, soap
Anibal and Bagherpur Factory Tehran-Pars Office: Ave. Saadi, Kucheh Bahrami Passage Sedghi Nejad	cottonseed oil, shortening, mustard seed oil, soap
Bozneshan Margarine Factory Tehran	

Vegetable Oil Factories (Continued)

<u>Name and Address</u>	<u>Types of Oil Produced</u>
Djahan Vegetable Oil Co., Inc. Karaj	cottonseed oil
Gol Co., Inc. Molavi Street, No. 494	olive oil, cottonseed oil, poppyseed oil, almond oil
Golemariam Factory (Renamed "Farse") Karaj Road, KM 14 Office: Asizian Passage, Bouzarjomehri	cottonseed oil
Margarine Factory (Khorusneshan) Varamine Road Office: West Bouzarjomehri	cottonseed oil, soap
Modav Oil Extracting Factory Shemiran Road, Gholhak	linseed oil, almond oil, cottonseed oil
Pars Cotton Ginning and Oil Meal Corp. Farahabad Avenue	cottonseed oil
Rey Factory Sepahbod Rasmara Avenue Office: Bazaar, Saraye Haji Hassan	cottonseed oil
Shahin Factory Zarin Nal St. Meidan Zhaleh Tehran	cottonseed oil
Shahi Factory Tehran St. Shahi	cottonseed oil
Shahpassand Vegetable Oil Factory Southern Karaj Road Office: Bouzarjomshri Avenue Sarahe Hafez	cottonseed oil, soap
Shayan Factory Sereje Shahriar Office: Bazaar, Sarahe Javaheri	cottonseed oil
Tehran Industrial Factories Co. Inc. (GOL) Rey Ave., Kebritsazi Street Office: Ekbatan St., No. 100	cottonseed oil, soap, shortening
Varamine Oil Extracting Factory Varamine Office: Plan Organization	olive oil, poppy seed oil, linseed oil, shortening
Provinces	
First Province (Rudbar)	
Baghdasarian Factory Rudbar, Vassate Bazaar	olive oil
Khankhani Factory Rudbar, Pa'een Bazaar	olive oil
Maleki Factory Rudbar - Bala Bazaar	olive oil

Vegetable Oil Factories (Continued)

<u>Name and Address</u>	<u>Types of Oil Produced</u>
Mir-Yaghoob Factory Rudbar - Pa'een Bazaar	olive oil
Sadeghi Factory Rudbar - Vassate Bazaar	olive oil
Soleimani Factory Rudbar - Vassate Bazaar	olive oil
Tasavori Factory Rudbar - Vassate Bazaar	olive oil
Yaghoob Factory Rudbar - Vassate Bazaar	olive oil
Second Province (Mazandaran)	
Ali Tofighi Factory Khiaban Babolsar Office: Babol Ave., Pahlevi	cottonseed oil
Becha Factory Babol	cottonseed oil
M. M. Factory Co., Inc. Ave., Amir Mazandarani	cottonseed oil
Paul Annibal & Bagherpur Factory Gorgan, Bandar Gaz	cottonseed oil
Porjan Factory Gorgan, Ave., Gharessou	cottonseed oil
Saadat Factory Sabzeh Meidan St., Babol	cottonseed oil
North Industrial Factories Corp. Gorgan, Bandar Shah	cottonseed oil
Kordkuye Gorgan Factory Mazandaran Ave.	cottonseed oil
Third and Fourth Provinces (Tabriz, Azerbaijan)	
Rashedi Factory Chaharom Ordibehesth Ave. Tabriz	cottonseed oil, soap
Seventh Province (Fars)	
Haji Kurangi Factory Darvazeh Shadiollah Siraz	cottonseed oil, soap
Mahmood Pishavar Co., Factory Darvazeh, Saadi Ave. Shiraz	cottonseed oil
Nargess Shiraz	cottonseed oil, soap

Vegetable Oil Factories (Continued)

<u>Name and Address</u>	<u>Types of Oil Produced</u>
Shiraz Factory Corp. Haftanan Ave. Shiraz	cottonseed oil, soap
Ninth Province	
Attaran Factory Bojnurd	cottonseed oil, soap
Jajarmi Factory Beihaighi Ave. Sarvestan St. Sabzevar	cottonseed oil, soap
Khorasan Factory Corp. Bahar Ave. Meshed	cottonseed oil, soap
Meshed Ginning and Soap Production Factory Meidan Darcharkheh Meshed	cottonseed oil
Momtaz Factory Ferdowsi Ave. Neishabur	cottonseed oil
Tanbakuchi Factory Sofla Ave., Fidgah St. Meshed	cottonseed oil
Tanbakuchi Factory Pahlavi Avenue	cotton seed oil
Zakhary Factory Sofla Ave. Meshed	cottonseed oil
Zarkesh Factory Tehran St. Meshed	cottonseed oil
Zohdi Factory Simstri Ave. Neishabur	cottonseed oil, poppyseed oil
Tenth Province	
Assar Zadeh Factory Bakhshe 3 Babodasht Isfahan	mustardseed oil
Banan Factory Khorram Ave., Rahban St. Isfahan	cottonseed oil
Malekzadeh Factory Azuri St. Ghom	cottonseed oil
Naz Vegetable Oil Factory Isfahan	cottonseed oil

Vegetable Oil Factories (Continued)

<u>Name and Address</u>	<u>Types of Oil Produced</u>
Rabi Karim Factory Bakhshe 3 Hamam Sheikh Isfahan	mustardseed oil
Sabri-Mahdavi Factory Bazaar Chahur Bargh Isfahan	mustardseed oil



Growth Through Agricultural Progress

